



NEWS RELEASE

PRESS OFFICE

Release Date: February 16, 2001

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Release Number: 01-12

Internet Address: www.sba.gov/news/indexheadline.html

SURETY BOND MAXIMUM INCREASED TO \$2 MILLION TO AID SMALL CONTRACTORS

WASHINGTON – In an effort to broaden contracting opportunities for small, minority and women contractors, the U.S. Small Business Administration (SBA) has increased the maximum size of the surety bonds it can guarantee for small businesses.

Recent statutory changes to SBA's Surety Bond Guarantee Program now allow guarantees on bonds up to a maximum of \$2 million, up from \$1.25 million, for small and emerging contractors who cannot obtain surety bonds through regular commercial channels.

"Small businesses rely on this program to allow them to compete for construction and service contracts," said Associate Administrator of SBA's Office of Surety Guarantees Robert J. Moffitt. **"In the tough competition for contracts, the SBA's surety bond program can mean the difference between success and failure for thousands of small contractors without the resources to qualify for surety bonds on their own."**

Changes to the Surety Bond Guarantee Program were signed into law on December 21, 2000. The changes were in the reauthorization bill, PL 106-554.

Contractors served by the Surety Bond Guarantee Program typically lack the required combination of experience and financial strength needed to secure bonds through regular surety channels. They do, however, possess the knowledge, ability and potential to become viable, successful firms that contribute significantly to the economy.

By making surety bonds available to qualified and deserving companies, the program ensures competitiveness and fairness in the construction industry. As a result, contracts are let at the best possible prices, and savings are created on contracts awarded to these small businesses. Since its inception, the Surety Bond Guarantee Program has produced more than \$1 billion in savings to federal, state and local governments, and to private project owners.

This cost-effective assistance is produced at little or no cost to the taxpayers, since an average of \$8 million per year is generated in income through contractors and surety fees. SBA guarantees from 70 percent to 90 percent of losses incurred by surety companies in the event of a contractor's default on contracts not exceeding \$2 million.

In fiscal year 2000, the Surety Bond Guarantee Program backed more than 1,795 final bonds on contracts valued at nearly \$328.9 million.

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